



UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301-4000

APR 15 2005

PERSONNEL AND
READINESS

The Honorable Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 05-68

Dear Secretary Dortch:

The purpose of this letter is to provide Department of Defense comments on the Federal Communication Commission notice of proposed rulemaking for the Regulation of Prepaid Calling Card Services (WC Docket 05-68). The Department appreciates the Commission's recognition that military personnel must have an affordable means of communicating with loved ones, especially as they endure the stress of family separation during deployments.

The Commission's notice of proposed rulemaking inquired about "any circumstances in which soldiers and their families would be negatively impacted if prepaid calling cards were subject to universal service and access charges." An increase in the cost of intrastate calls, resulting from universal service and access charges, could have an effect on the cost of calls made by members of the armed services who are serving overseas. The Department of Defense permits Service members deployed overseas to place *Health, Morale and Welfare* (HMW) calls to the United States during non-duty hours through the official Defense Information System Network. An average of 34,000 HMW calls are placed daily from the Operation Enduring Freedom and Operation Iraqi Freedom theaters.

HMW calls are netted to a U.S. installation that the member dials via the Defense Switching Network. Once connected to the U.S. installation, there is no charge to the Service member if the call is placed to a local number. If the call must be extended by long distance (intrastate or interstate), the call is switched to the commercial network (e.g., AT&T, Sprint, MCI) that the Service member designates and the Service member pays the rates associated with the commercial carrier extension. Service members may pay using any prepaid phone card, telephone calling card, commercial credit card, or call collect. The calling rates vary with the payment option, but typically prepaid calling cards are the most economical option for the Service member. Examples of varying prepaid phone card rates in effect before issuance of the FCC Order (FCC 05-41) are:

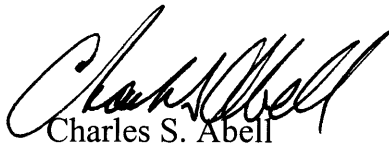


Exchange AT&T 800 domestic minute card, 4.75 cents per minute; Exchange AT&T Global 550 and 200 unit cards, 7 cents per minute; Sprint 500 domestic minutes card, 9 cents per minute; MCI World Traveler phone card, 6.1 cents per minute; and Wal-Mart AT&T 1,000-minute prepaid phone card, 5 cents per minute. We would expect that service providers who must come into compliance with the order would initiate rate increases.

The Department would support FCC initiatives to ameliorate the direct and indirect impact of the Universal Service Fund contributions and intrastate access charges on prepaid calling cards used by members of the Armed Forces. As suggested in the notice of proposed rulemaking, we support the exemption of prepaid telephone calling cards sold in, at, or by military resale outlets from the Universal Service Fund and intrastate access charges. In addition, we recommend that the Commission consider actions to exempt all prepaid calling cards calls from intrastate access and Universal Service Fund charges when such calls originate from military installations and/or the Defense Switching Network. This option protects those military members who are deployed and choose to use service providers and telephone calling cards that are not sold by the Armed Services exchanges. The Department of Defense defers comment on the FCC authority to take such action and the service providers' technical capabilities.

Thank you for the opportunity to provide comments.

Sincerely,


Charles S. Abell
Principal Deputy

cc:
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